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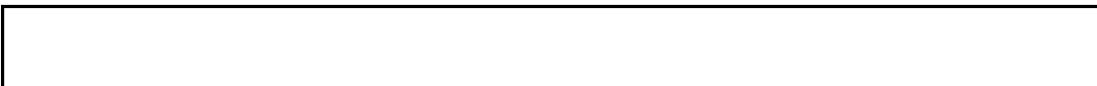
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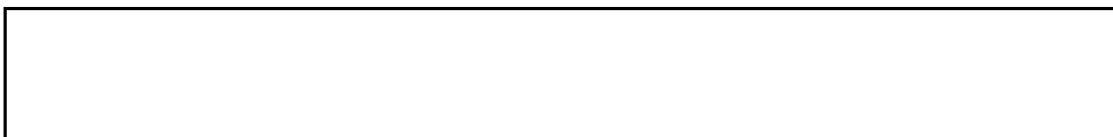
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USSR-BERLIN: Soviet officials, in an informal meeting with members of the US mission in Berlin on Thursday, stepped back a bit from the tough position taken by Ambassador Abrasimov at the last ambassadorial session.

The Soviets, including the second-ranking member of the Soviet delegation at the Berlin talks, adopted a mild tone in an effort to soften the impression made by Abrasimov's unyielding stand on 9 October. Their approach suggests that Moscow is anxious to keep the talks moving and to avoid the onus for any stalemate.

Moscow's concern has probably been heightened by the recent spate of critical commentary in the Western press. The important West German provincial elections next month--where the Soviet behavior at the Berlin talks could become a campaign issue--and Foreign Minister Gromyko's presence at the UN General Assembly session may make this concern particularly acute.

In spite of their obvious interest in showing flexibility, the Soviets did not indicate any major change in their position. They offered nothing concrete on the allied position on access to and freedom of movement in West Berlin. They were politely adamant in rejecting any West German right to represent West Berlin abroad. They did, however, suggest that Moscow would be willing to bargain about its demands for a reduction of the West German political role in West Berlin. On the troublesome question of Federal German offices in West Berlin, the officials hinted that Moscow might be willing to accept some relatively noncontroversial offices--providing their names were changed to avoid any reference to the Federal Republic--and that the removal of the others might be a gradual process.

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PANAMA: Government concern about financial difficulties is increasing.

Senior Panamanian officials apparently expect a serious budget deficit next year. The government's ability to borrow additional funds on the international capital market at reasonable rates is becoming increasingly circumscribed and the government seems to be counting on US assistance to prevent a fiscal crisis.

President Lakas, [REDACTED]

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[REDACTED] is likely to raise this issue when he meets with President Nixon on 25 October. Lakas also is expected to outline his country's hopes for revisions in the canal treaties.

Strongman General Torrijos appears convinced of the efficacy of the hard sell in dealing with the US. If initial approaches are unproductive, Torrijos may attempt to blackmail the US into bailing him out of his political and economic problems by threatening to seek assistance from socialist states. Such threats, however, could frighten domestic and foreign investors and aggravate his political difficulties. [REDACTED]

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IRAN-CONSORTIUM: The first round in this year's negotiations has ended on the most pessimistic note in years.

Despite Iran's assurances last year that it would attempt to tailor its spending to oil income expectations, the government has apparently reversed itself and expects the consortium to provide enough oil to meet Iran's demands for \$5.9 billion during the current development plan period. This would be exclusive of advances and loans by the consortium in its efforts to meet Iranian demands in past years. The Iranians are also pressing a series of other demands that would allow them to increase their own sales of oil.

If these demands are not met, the Shah has threatened legislation "to safeguard Iranian interests"--by which he may wish to imply nationalization of some consortium oil fields for Iranian exploitation. While Iran's tough bargaining stance in preliminary talks has become standard over the years, pressure on the economy brought about by increasing military expenditures and a burgeoning development plan have made unilateral government action more of a possibility than ever before. The next round of talks will take place in Tehran on 7 November.

FRANCE-CHAD: Despite concern over the increase in military activity and the resulting casualties in northern Chad, France is not planning to change its policy toward its former African colony.

In response to public and parliamentary criticism over the death of 11 French soldiers ambushed by Muslim insurgents earlier this week, French officials have asserted that there will be no basic change in the policy of gradual troop withdrawals while continuing support for the Chadian Government.

Until recently, there had been no serious dissident activity in Chad since last April. Moreover, several important insurgent leaders from the central area recently initiated an informal cease-fire preparatory to engaging in peace talks with the government this month. In the last three weeks, however, there has been growing evidence of a resurgence of rebel activity in northern and eastern Chad.

The renewal of fighting, coupled with the death of the French soldiers, evidently led President Tombalbaye to seek assurances that French troops would be retained in Chad beyond the scheduled pullout date. Prior to the latest outbreak, French Foreign Minister Schumann had announced plans gradually to withdraw the French troops now in Chad by April 1971.

In the past, the French Government has been severely criticized by the press and by anti-Gaullists in the National Assembly for providing military support to Chad. Since the recent French troop loss is the largest that France has ever sustained in independent Chad, criticism has intensified. The opposition, however, will be able to do little more than harass the government.

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